

VZCZCXYZ0000
PP RUEHWEB

DE RUEHUNV #0095/01 0651539
ZNR UUUUU ZZH
P 061539Z MAR 09
FM USMISSION UNVIE VIENNA
TO RUEHC/SECSTATE WASHDC PRIORITY 9100
INFO RUEHII/VIENNA IAEA POSTS COLLECTIVE PRIORITY
RHMCSUU/DEPT OF ENERGY WASHINGTON DC PRIORITY
RUEANFA/NRC WASHDC PRIORITY

UNCLAS UNVIE VIENNA 000095

SENSITIVE
SIPDIS

STATE FOR T, ISN/NESS, IO/T, ISN/MNSA
LONDON FOR KAREN BRONSON
DOE FOR NA-243 (GOOREVICH)
NRC FOR MDOANE, JSCHWARTZMAN

E.O. 12958: N/A

TAGS: [AORC](#) [ENRG](#) [TRGY](#) [KNNP](#) [IAEA](#)

SUBJECT: IAEA MARCH 2009 BOARD OF GOVERNORS: AOB DISCUSSION OF
RELIABLE ACCESS TO NUCLEAR FUEL (RANF)

¶1. (SBU) Summary: Renewed leadership by the Director General, announcements of financial pledges, and calls for more dialogue from potential beneficiary states advanced us toward future IAEA Board action to implement reliable access to nuclear fuel (RANF) mechanisms under IAEA auspices. The Board debate on March 5 was marked by new highs of support -- including announcements of donations sufficient to push funding for the IAEA fuel bank over the target of \$150 million -- and new lows of criticism -- the G-77 strongly rejected attempts to even discourage fuel cycle activities on the grounds of proliferation concerns. Coached by the Secretariat, the Chair gaveled through a conclusion that should provide adequate support for the Board to consider the issue in June and for the Secretariat to do work on the related issues in the interim. End Summary.

The Prelude

¶2. (SBU) The reinvigorated debate on RANF started on February 23 with the circulation of GOV/INF/2009/1, "Development of the Russian Federation Initiative to Establish a Reserve of Low Enriched Uranium (LEU) for the supply of LEU to the IAEA for its Member States." The proposal was for the Russian Federation to establish a guaranteed physical reserve of 120 tonnes of LEU in the form of UF6 with an enrichment level ranging from 2.0% to 4.9% to be stored at the International Uranium Enrichment Center in Angarsk under IAEA safeguards (paid for by Russia) for the use of IAEA Member States experiencing a disruption of LEU supply. The proposal went on to explain that the supply would occur through a combination of a Russian supply agreement with the IAEA and an IAEA agreement with the recipient state. The proposal's features were characterized as follows: non-discriminatory and inclusive nature; non-restrictive; no cost to the IAEA; non-exclusive; non-disruptive; no delays; pro-cooperative; prolonged and promotional. What was far less clear in the discussion was the meaning of one key sentence in the Russian proposal, "The LEU would be made available for any non-nuclear-weapon State member of the IAEA, which has an effective Agreement with the IAEA requiring the application of safeguards on all its peaceful nuclear activities." This was a particular matter of interest in view of the fact that the proposal to the Board had been held in abeyance for nearly a year because of a dispute between Russia and the IAEA over supply conditions. None of the IAEA officials Mission talked to could say whether this was meant to be a full-scope safeguards requirement or not. The interpretation provided by one knowledgeable Rosatom official was that this language was an exact reflection of the Russian export control law of 1992 and that it was intended that India would be eligible and Pakistan and Israel would not be. This distinction was less clear to Indian Atomic Energy Commission Chairman Anil Kakodkar, who told the Ambassador that he did not want to support a proposal that would

not benefit India.

The Director General Speaks Out

13. (SBU) The RANF discussion at the March Board started with the strongest statement of support issued by the Director General in at least a year. Devoting nearly a fifth of his Opening Statement to the topic, the Director General referred to his advocacy "for a number of years" of the establishment of multinational mechanisms to assure access for all countries to nuclear fuel and reactor technology "as envisaged in the Statute." Recalling the recommendations of the 2004/5 experts group and the report to the Board in June 2007, the Director General stated that "I am pleased to note important progress on two specific proposals that aim to establish a fuel assurance mechanism with the involvement of the Agency." First he noted his circulation of the Russian proposal, remarking, "I trust that the Board will positively consider the detailed Russian proposal and give due consideration to other concrete proposals which may be coming." He went on to state that with pledges made by Norway (\$5 million) the USA (\$50 million), the UAE (\$10 million) and the EU (Euro 25 million) the international community was quite close to meeting the terms of the Nuclear Threat Initiative challenge grant and that, "Once the remaining funding is secured, I intend, with the Board's agreement, to develop a possible framework for this proposal for the Board's consideration."

14. (SBU) The Director General went on to articulate three principles that he believed should be the basis for a nuclear fuel bank under IAEA auspices. First, any such mechanism should be non-political, non-discriminatory and available to all States in compliance with their safeguards obligations. Second, any release

of material should be determined by non-political criteria established in advance and applied objectively and consistently. Third, no State should be required to give up its rights under the Non-Proliferation Treaty regarding any parts of the nuclear fuel cycle. The Director General went on to extend his vision by stating that, "The next step would be to agree that all new enrichment and reprocessing activities should be placed exclusively under multilateral control, to be followed by agreement to convert all existing facilities from national to multilateral control."

15. (SBU) The optimism engendered by the Director General's statement was reinforced by a strong statement of support by Kazakhstan during the nuclear safety debate or "multinational uranium enrichment centres" and the "proposed creation of an IAEA-administered International Nuclear Fuel Bank."

The G-77 and NAM: Not So Fast

16. (SBU) The spirit of optimism was dealt a quick blow by the G-77 at the start of the agenda item on Any Other Business, which was almost entirely devoted to RANF. Argentina, speaking for the G-77 and China (with a statement co-drafted by Egypt, we were told), added to the now tired line that there needed to be a cautious approach to address all the technical, legal, economic/financial, and political aspects of the proposal. It continued to say that it was "premature" to consider these proposals before all aspects were adequately examined. It used the existing economic crisis to urge caution before "imposing" further burdens on Member States. Building on its earlier criticisms of attempts to violate States' NPT rights to develop nuclear energy for peaceful purposes, the G-77 stated that nonproliferation concerns should not restrict technology transfer and strongly rejected attempts to even discourage fuel cycle activities on the grounds of proliferation concerns. The G-77 has thus gone from "Don't restrict our rights because of proliferation concerns" to "Don't even try to discourage us from doing something because of proliferation concerns". Cuba, speaking for the NAM, used its intervention immediately after the G-77 to fully endorse the G-77 Statement.

17. (SBU) Egypt took the G-77 argument a step further by stating that arguing that some technologies are more sensitive than others diminishes the safeguards regime. It also stated that the fuel

supply assurance proposals were trying to employ the Agency in efforts to limit exports (of sensitive technology) and that this was a cause of concern. In a prelude to the forthcoming supply condition debate, Egypt also noted that none of the initiatives mention NPT adherence or the need to apply comprehensive safeguards as a supply condition. While saying that this degrades comprehensive safeguards agreements, the clear meaning was that this could allow Israel to take advantage of the mechanism, which is not acceptable to Cairo. Expressing support for the Director General's "idealistic" vision for the internationalization of the fuel cycle, Egypt felt that this should take place in the context of parallel steps by the Nuclear Weapons States engaging in verifiable disarmament. Brazil questioned the need for fuel assurances and, recalling a statement by Russia earlier in the Board on another topic, observed, "If it's not broke, don't fix it." Iran reiterated its earlier statements that it was premature to make any decisions and that any decisions on fuel assurance mechanisms had to be made by the General Conference. Iran also criticized outside donors as expecting leverage and stated its view that the General Conference must decide on accepting donations.

Support from the West

18. (SBU) Far more positive statements came from the Western countries. The Czech Republic on behalf of the European Union reported the decision of the EU Council to contribute Eur 25 million to the nuclear fuel bank. The EU Statement also noted other proposals, thanked the Japanese Government for its January seminar on the nuclear fuel cycle, and noted the upcoming March 17-18 conference in London on Multilateral Approaches to the Fuel Cycle. It requested the Secretariat to develop a concept for the establishment of the Nuclear Fuel Bank and to submit it to the Board as its June session. The Russians outlined their proposal, noting its conditions were in agreement with the principles outlined by the Director General and stating the belief that they saw nothing in the G-77 and NAM statements that were at variance with their approach. The Russians promised to submit additional specific proposals. The United States and Canada both noted the Russian proposal and

expressed the view that it was now time to undertake a discussion at the Board on implementation.

19. (SBU) The U.S. statement (para. 16) referred to President Obama's call for establishment of "a new international nuclear energy architecture - including an international nuclear fuel bank, international nuclear fuel cycle centers, and reliable fuel assurances - to meet growing demands for nuclear power without contributing to proliferation." In addition to calling for action on the Russian proposals, the U.S. also noted that the international community had almost met the Nuclear Threat Initiative's challenge grant and stated that they looked forward to the Director General bringing a concrete concept to the June Board for consideration. The U.S. statement also noted the progress in establishing a fuel reserve from 17.4 tonnes of highly enriched uranium (HEU) removed from the weapons program. To date, over 3 tonnes of HEU had been down-blended yielding more than 50 tonnes of LEU.

110. (SBU) Japan used its statement to express appreciation to participants in the seminar of fuel assurances that it had sponsored in January and to state its willingness to join a board discussion of the issues. Germany explained its proposal for a multilateral enrichment plant operated by the IAEA (which had been discussed in detail at a well-attended side event on Monday), calling it complementary to other proposals and in compliance with the Director General's proposals. The ROK made a mildly supportive statement stating that it was the right time for the Board to engage in intensive discussions of all aspects of the various proposals.

111. (SBU) Turkey issued a statement that fell in the middle some place. While stating that it was prepared to consider all proposals favorably, it reiterated the G-77 line about needing extensive consultations on the technical, political, legal, and economic aspects of the proposal before considering any kind of decision. Turkey laid out what it called four "vital conditions" that it said must be satisfied by a mechanism for assurance of nuclear fuel supply: 1) participation should be voluntary and not require

countries to relinquish legitimate rights under the NPT; 2) it should function as a backup to a well functioning market; 3) it should convince States that they would be able to obtain fuel in a predictable, stable and cost-effective manner over a long term period without undue interference; and 4) production and storage facilities should not be under the control or jurisdiction of any one state or "group of states."

Cracks in G-77 Solidarity

¶12. (SBU) Several NAM and G-77 States, while associating themselves with the statements of those groups, also indicated readiness to discuss fuel assurances. China expressed support in principle for all efforts that promote nuclear energy and nonproliferation and stated it was open minded about mechanisms. It further stated that the international community should seek solutions acceptable to all to prevent proliferation but to promote the use of nuclear energy. The Philippines requested the Secretariat to update its previous work (i.e., the June 2007 report GOV/INF/2007/11) and to provide a comprehensive analysis of the proposed mechanisms and related issues. Morocco endorsed the general principles presented by the Director General and stated that the doors were open for discussion. The Jordanian delegation confirmed to us on the margins that it had a supportive statement prepared in coordination with its national atomic energy authority, but had held back for lack of formal instruction to speak from the MFA.

Over the Top

¶13. (SBU) Following interventions by Board members, both the United Arab Emirates and Kuwait spoke at the Board for the first time on this issue (under Rule 50). Both noted the importance of multinational fuel assurances. Each pledged \$10 million to the fuel bank, pushing the total pledged over \$150 million. Kuwait supported discussions in June and the UAE encouraged the Secretariat to consider proposals and schedule Board consideration. The United States took the floor to welcome these contributions, to recall the Director General's statement in March 2008 that he would bring a concept for a fuel bank to the Board when the money was available, and stated it looked forward to discussion at the next Board meeting. In closing, Ambassador said to the Board, "Let us see what we can agree, between all of us, that advances no hidden agenda but promotes our common interest in the peaceful use of nuclear technology."

The Director General Speak Out - Again

¶14. (SBU) In another forceful (and unscripted) intervention, Director General El Baradei concluded Board consideration of RANF by identifying three areas that needed work in the multilateralization of the fuel cycle. First, he saw nuclear disarmament as needed to create the environment and he welcomed the new policies of the Obama Administration. Second, he said that we needed to strengthen the safeguards system - it is not what it ought to be. Third was assurance of supply. It must be looked at as a win-win - security of supply without adding to proliferation. While noting that everybody having a fuel cycle was not stable, the Director General noted that no one was now questioning the rights of states. The two proposals discussed - the Russian reserve and the NTI fuel bank - were "added plusses." Whether countries will want to establish their own fuel cycle is their own decision. Although the concept may have been present in some earlier proposals, no one, he noted, is now asking countries to forego "their rights". The Director General concluded by stating that the best way to work together was dialogue to discuss the issues. While we had failed for 50 years to find an acceptable mechanism, this did not mean we shouldn't try again. Russia would be coming with proposals. Germany was developing its proposal and the Secretariat would come with a framework for a fuel bank. "We will succeed together or we will fail together." There is no alternative to dialogue.

Summing Up

¶15. (SBU) In a highly unusual move, the Board Chair produced a short conclusion for this "Any Other Business" item. "With regard to the specific issue of nuclear fuel supply assurances, the sense that I get from listening to the various speakers is that the Board will continue with its discussions on these proposals and the Secretariat will assist in elaborating the framework." The Director General, she noted, is the most effective advocate of the assured supply concept. The Chair then gavelled, "It is so decided." Tariq Rauf, the Secretariat point man on assured fuel supply, had previewed this tactic to us, saying that it would provide the Secretariat with the authority it needed to proceed with its work.

U.S. Statement

¶16. (U) BEGIN TEXT AS DELIVERED:

Madame Chairwoman,
With each Board meeting, we learn of even greater global interest in nuclear power. Though individual motivations vary, one common factor driving this interest is the quest for energy security. Realizing the full benefits of nuclear power requires that we all have reliable access to nuclear fuel. For these reasons, President Obama has called for the establishment of "a new international nuclear energy architecture - including an international nuclear fuel bank, international nuclear fuel cycle centers, and reliable fuel supply assurances - to meet growing demands for nuclear power without contributing to proliferation." On Monday our Director General also said, "remains convinced that a multilateral approach has great potential to facilitate the expanded safe and secure use of nuclear energy for peaceful purposes, while reducing the risk of proliferation."
We are finally nearing closure on two concepts, and the associated funding, that would provide fuel assurances. After so much effort, the time has come to bring these to reality.
The nuclear power sector is blessed with a reliable, dynamic, and well functioning market. Around the world today, more than 400 reactors are supplied through sound, long-term contracts with a diverse set of vendors. Still, as we have come to learn recently even with the most stable markets, the possibility remains for unforeseen interruptions. Therefore, we believe that as responsible suppliers and recipients of nuclear power it would be wise to bolster the international fuel market against unexpected disruptions.
Likewise, the Director General has recognized this fact, and called on us - the IAEA Member States - to devise new mechanisms to ensure reliable access to nuclear fuel. In response, many in this room have developed one or more fuel assurance proposals. Two of those proposals are now nearing realization.

Here in Vienna - more than two years ago - the Nuclear Threat Initiative announced a pledge of 50 million U.S. dollars for an international nuclear fuel bank. As you know, this challenge grant was made upon two conditions, which must both be met by the upcoming General Conference in September. Generous pledges by Norway, the United Arab Emirates, and the European Union as well as support from my own government have come in response to the NTI offer. Total contributions from member states of 100 million dollars will meet the first condition.

With support from member states, a total of 150 million dollars would be available to the IAEA, provided the second condition is met - the Board of Governors must approve an institutional framework for the fuel bank. As we all know, the details surrounding this initiative are complex, and deserve our considered discussion. Now that the funding goal is close to being met, we look forward to the Director General bringing forward a concrete concept for our consideration at the next Board meeting in June.

As we also have just heard from the Russian Governor about their proposal, for a reserve of low-enriched uranium to be held at Angarsk in Russia, is also nearing fruition. We thank the Russian Federation for sharing this news with Member States today and we read with great interest the concept paper GOV/INF/2009/1. We look forward to further in-depth consultations among all Member States

and the IAEA Secretariat on future steps. We strongly support Russia's call to bring the "the proposal as outlined ... to the Board of Governors for its consideration as soon as possible." I am pleased to report that the United States continues to make progress on yet another component to support this endeavor. Three years ago, we announced that 17.4 tons of highly enriched uranium would be turned into a low-enriched uranium fuel reserve. To date, over 3 tons of HEU has been down-blended and more than 50 tons of LEU fuel has been produced. Once an operational framework is in place, this material could also be drawn upon for last resort assurance.

Madame Chairwoman,

The concept of IAEA involvement in nuclear fuel assurances is not new. It is clearly authorized under Article IX of the IAEA Statute. In 2003, the Director General of this Agency brought this issue back to the fore in his essay "Towards a Safer World." Since then, the IAEA has overseen an expert group study and issued a substantive framework report. Member States have put forward more than 12 proposals, and a number of international conferences have been convened. What's more, several multilateral bodies have established working groups to explore mutually acceptable solutions. Over the past four years, we have all put a great amount of time and effort into this venture. The Director General reiterated earlier this week his view "that a multilateral approach has great potential to facilitate the expanded safe and secure use of nuclear energy for peaceful purposes, while reducing the risk of proliferation." Along with many others, we hope to see a tangible product emerge before the current era of Agency leadership draws to a close. In conclusion, the appetite for a fuel assurance mechanism is clear, the need is growing, the resources are in place and the time is right to bring this concept to life. Therefore, we encourage opening a discussion amongst us on the technical, legal, and other issues involved. Two concepts and the associated funding are nearing fruition. Let us bring one or both of these concepts to the Board in June and see whether we can start to establish an international, mechanism that advances our common interest in the peaceful use of nuclear technology.

Thank you.

END TEXT.

U.S. Intervention

¶17. (U) BEGIN TEXT AS DELIEVRED:

I apologize for taking the floor again, but wish to welcome, on behalf of my Government, the two important announcements just made, under Rule 50, by the distinguished representatives of Kuwait and the United Arab Emirates. The two distinguished Ambassadors each announced a contribution of 10 million U.S. dollars to the international nuclear fuel bank under the auspices of the IAEA.

Thanks to these and earlier contributions, counties have now met the funding challenge put forward by the Nuclear Threat Initiative over two years ago. Despite today's financial crisis, the IAEA now has 150 million U.S. dollars to set up a fuel bank at little or no additional cost to the Agency or Member States.

At our meeting a year ago, Dr. El Baradei told us that he would bring us a concept for consideration once the 150 million U.S. dollars in funding is available. We look forward to discussing this concept together with the complementary concept from the Russian Federation, at our next meeting.

Today we had a good, substantive discussion on fuel assurances, including on some issues we need to examine in greater depth. Let us move our discussion from AOB to an agenda item on the basis of concrete proposals, prepared by or in cooperation with the Secretariat. Let us see what we can agree, between all of us, that advances no hidden agenda but promotes our common interest in the peaceful use of nuclear technology.

END TEXT.

